

October 17, 2003

James T. Odiorne
Deputy Insurance Commissioner
Office of the Insurance Commissioner
5000 Capitol Boulevard
Tumwater, WA 98501

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INSURANCE COMMISSIONER
COMPANY SUPERVISION

Re: Premera's Proposed Reorganization
Transaction Structure Recommendations in Draft Consultant Reports

Dear Deputy Commissioner Odiorne:


Enclosed please find an outline that lists the specific transaction structure comments ("Consultants' Comments") raised in the draft consultant reports provided to us on October 3, 2003, and consistent with your request, Premera's initial responses to the Consultants' Comments. Given the interdependencies among many of the transaction terms addressed by the Consultants' Comments, we would respectfully submit that Premera, you and the state's consultants will need to jointly consider how the resolution of any particular item will impact the entire structure of Premera's proposed reorganization. Accordingly, the resolution of the comments will need to be considered on an integrated basis.

As you will see from the attached, many of the listed terms are identified as needing further discussion with you and the state's consultants. In some instances it was not clear what the consultants were recommending and we believe further discussion is needed to understand the issue and develop solutions for the respective provisions. Three of the listed terms are identified as Category 2; i.e., comments that are problematic to Premera. All of these Category 2 terms, however, are limited to provisions that are intended to provide Premera with "change-of-control" or "hostile take over" protections that are consistent with Premera's stated intent to remain a Washington-based, independent company.

As indicated, the draft consultants' reports also contain descriptions of certain transaction terms of several other conversions which we believe are not fully accurate. We will be prepared to discuss those terms during our meetings next week.

We look forward to working with you on these matters.

Very truly yours,

A handwritten signature in dark ink, appearing to read "John P. Domeika". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

John P. Domeika
Senior Vice President & General Counsel